



## News Release

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### **IRS Updates Voluntary Correction Program For Retirement Plan Professionals**

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WASHINGTON – The Internal Revenue Service today issued an updated and expanded revision of a revenue procedure governing its popular voluntary correction program for employee retirement plans – the Employee Plans Compliance Resolution System, or EPCRS. Under EPCRS, plan sponsors and other plan professionals can correct certain errors in employee retirement plans, in some cases without even having to notify the IRS. Correcting plans in this way allows participants to continue receiving tax-favored retirement benefits and protects the retirement benefits of employees and retirees.

“We know that employers and plan administrators want to comply with the tax laws and regulations. But the law is constantly changing and has become fairly complex, so even tax professionals can sometimes make mistakes in this area,” said Carol Gold, director of IRS’s Employee Plans Division.

In revising Revenue Procedure 2006-27, the IRS incorporated comments from the retirement plans community by adding flexibility and increasing correction methods. “There were two emerging issues, in particular, that were causing problems -- excluded employees – particularly in 401(k) plans – and bad loans,” Gold said. “In this revenue procedure, we have added what we believe are workable solutions. We believe these improvements will advance our goal of increased plan participation.”

EPCRS includes three levels of correction programs:

- The Self-Correction Program (SCP) permits a plan sponsor to correct “insignificant operational failures” in certain simple plans, such as 403(b) plans, SEPs or SIMPLE IRA plans. These corrections can be made without having to notify the IRS and without paying any fee or sanction.
- The Voluntary Correction Program (VCP) allows a plan sponsor, at any time before an audit, to pay a limited fee and receive the IRS’s approval for a correction of a qualified plan, a 403(b) plan, SEP or SIMPLE IRA plan.
- The Correction on Audit Program (Audit CAP) allows a sponsor to correct a failure or an error that has been identified on audit and pay a sanction based on the nature, extent and severity of the failure being corrected.

The IRS noted that plan sponsors who fail to take advantage EPCRS will not receive the favorable tax treatment available in EPCRS programs if the problems are discovered upon examination.

The revised revenue procedure also makes it clear that EPCRS remains unavailable in cases where either the plan or the plan sponsor has been a party to an abusive tax avoidance transaction and the plan failure is directly or indirectly related to the abusive tax avoidance transaction.

“EPCRS is a valuable program for plan sponsors who need to make corrections that result from inadvertent errors,” said Gold. “It is definitely not available to those who deliberately engage in abusive tax transactions that jeopardize the integrity of the plan and take advantage of the participants.” For information on “abusive tax transactions,” see [IRS.gov](https://www.irs.gov).

“We think the changes to EPCRS will further encourage employers and plan sponsors to voluntarily correct problems associated with their plans and continue the success of our voluntary correction programs,” said Joyce Kahn, who directs IRS’s voluntary compliance program for employee retirement plans. “EPCRS is a popular program, and it has greatly helped many plan participants retain tax-favored retirement benefits.”

Gold added, “We hope plan sponsors will take advantage of the features of EPCRS. But even if they don’t, the IRS strongly encourages plan sponsors to regularly monitor and evaluate their retirement plans to ensure compliance with the law.”